Weekly Economic Review

Alberta employment woes deepen

Employment

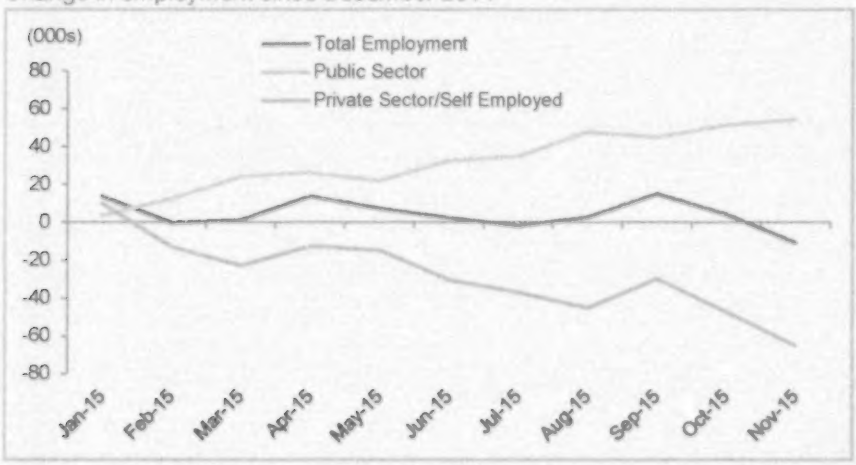
Economic downturn hitting labour market

After holding up through most of 2015, employment is bearing the brunt of low oil prices. The province lost 14,900 jobs in November after losing 10,800 jobs in October (Chart 1), and employment growth was down 0.1% year-over-year (y/y). Service sector industries posted the biggest losses (-19,500), especially in transportation and warehousing (-6,200), accommodations and food (-3,900), and information and culture (-3,900). All losses were part-time positions (-24,800), consistent with falling service sector employment. Full time employment was up by nearly 10,000. Private sector employment fell by 17,700, totally offsetting some gains in the public sector. The mounting job losses pushed the unemployment rate up to 7.0%, the highest since April 2010.

Employment across Canada fell by 35,700 jobs. Apart from Newfoundland and Saskatchewan, all other provinces posted job losses as the unemployment rate ticked up to 7.1%.

Chart 1: Alberta job losses mount in private sector

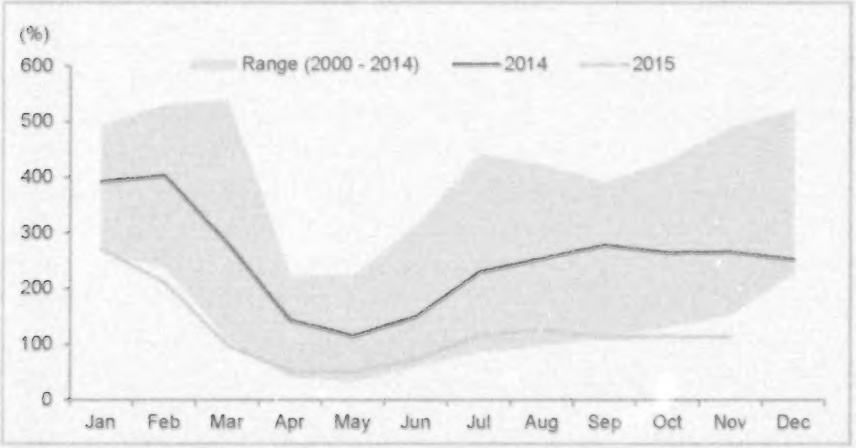
Change in employment since December 2014



Source: Statistics Canada

Chart 2: November rigs count lowest since 1991

Year-over-year change in Alberta rigs drilling



Source: Canadian Association of Oilwell Drilling Contractors

Rigs Drilling

Rigs activity nears historic low

There were 114 rigs drilling in Alberta during November, 57% lower than in November 2014 . This was the lowest November rig count since 1991 (Chart 2). Only 20% of available rigs were in use, less than half the rate from 2014. Rig activity has been depressed across Canada with the number of active rigs down 56% y/y. Oil drilling was down 68% y/y, compared with 43% y/y for natural gas. Rig activity in the US remained at a historic low, down 61% y/y.

Metres Drilled

Broad based slowdown in drilling

Metres drilled for oil and gas in Alberta were down 48% y/y in September. Low prices have spurred producers to cut metres drilled for oil by 60% y/y. Conventional drilling has been hardest hit, down 65% y/y while drilling for bitumen declined 47% y/y. A combination of low prices, well stocked inventories and warm weather have discouraged drilling for natural gas, which is down 32% y/y. Year-to-date metres drilled have declined by 48%.

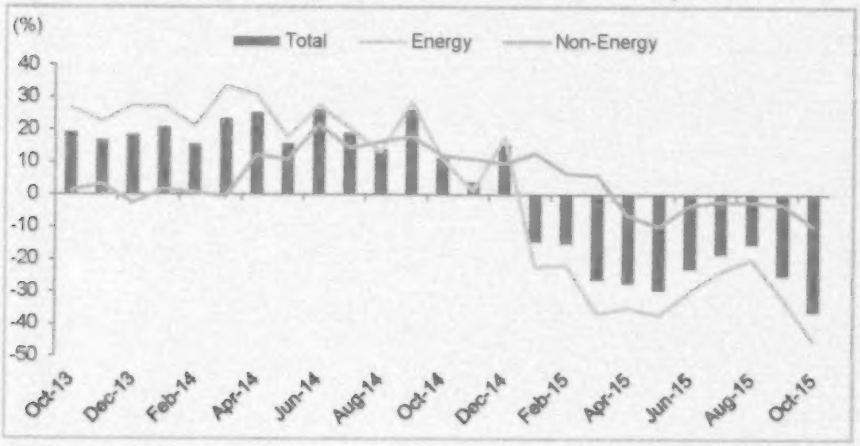
Merchandise Trade

Energy products still suppressing exports

Alberta international goods exports were $6.8 billion in October. This was the lowest level since February 2011 and 36% below October 2014 (Chart 3). Low oil prices have cut the value of energy exports nearly in half since October 2014. However, the actual volume of crude exports was up 16%. Energy products currently make up 65% of exports. Non energy exports were down 9.7% with declines in industrial machinery (-39%), chemicals, plastics, and rubber products (-9.2%), and farm and food (-2.4%). The lone improvement was in consumer goods exports, which increased 5.4%. Year-to-date, exports were down 23%.

Chart 3: Energy exports buckle under the weight of low oil prices

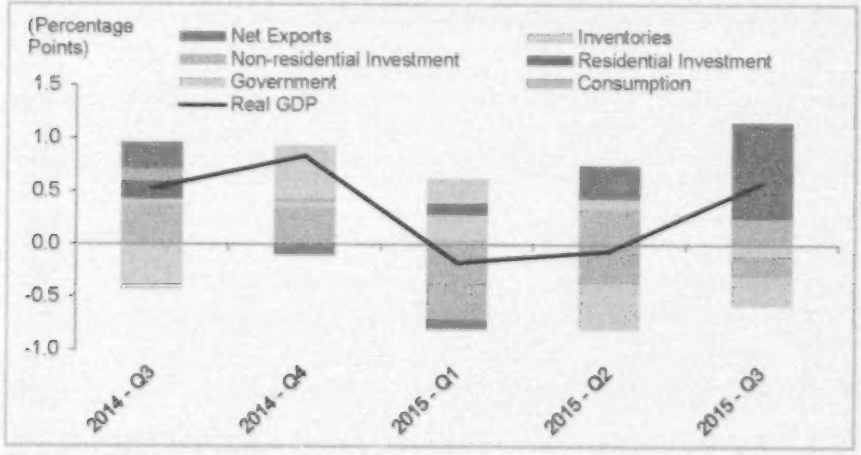
Year-over-year change in Alberta international merchandise exports



Source: Statistics Canada

Chart 4: Exports provide big boost to growth

Contributions to Canadian real GDP at annualized rate



Source: Statistics Canada

Canadian Real GDP

Growth restored in third quarter

Canadian real GDP increased by 2.4% (annualized), after shrinking in the first half of 2015. Growth was boosted by improving net trade (Chart 4) as exports increased 9.4% while imports fell 2.9%. Household spending on durable goods (9.7%) also supported growth. Business investment was a lingering source of weakness, as investment in non-residential structures (- 6.5%) and machinery and equipment (-4.5%) declined further. Energy sector investment was especially weak; investment in engineering structures was down 7.2% while spending on mineral exploration reached a 21 year nadir. Residential investment fared better owing to a pickup in new construction (13.4%).

US Employment

Employment remains robust

The US labour market added 211,000 jobs in November and figures for the two previous months were revised up by a combined 35,000. Since the beginning of 2015, 2.3 million jobs have been created. Services industries accounted for 84% of new employment, led by education and health, leisure and hospitality and professional and business services. Goods producing industries added 34,000 jobs, overwhelmingly in the construction sector. However, other goods industries cut jobs; manufacturing employment has waned for five months while the mining industry extended its job loss streak to eleven months. The unemployment rate was unchanged at 5%.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.